

ORIGINAL



0000133127

RECEIVED

212 E. Rowland Street #423
Covina, CA 91723

December 27, 2011

2011 DEC 28 P 12:33

Docket Control Center
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

DEC 28 2011

DOCKETED BY

RE: COMMENTS AND RESPONSES TO STAFF REPORT DATED 12/16/2011
Docket No. WS-20794A-11-0140 and WS-20794A-11-0279

DII-Emerald Springs, LLC ("DII") as per PROCEDURAL ORDER dated 11/21/2011 files the following comments and responses to the Staff Report dated 12/16/2011:

1. As of 1-1-2012 the existing monthly billing amount will increase to \$3,345.30 from \$3,041.18. This reflects a 10% increase from 2011. The existing agreement allows DII to charge up to 15% increase per year. DII has chosen to increase it only 10%.
2. I noticed you did not provide for the chlorine analyzer ADEQ is requiring upon the approval of the permit modification. This is a cost of around \$5,000 as documented previously.
3. I see you need the application for the existing \$250,000 loan. I will complete it and send it to you later. Keep in mind there is a \$1,500 interest payment per month. We need to recover this cost.
4. Nothing was provided for the site leasing of \$4,000 per year. This agreement will be provided upon approval of the utility. If this agreement is executed now; there is no way we can pay for it.
5. What about office space (\$500 per month)? We will need a physical location to operate the utility. In addition, we will also need to pay for telephone, fax, supplies, etc. This amount should be at least \$650-700 per month.
6. You should consider giving us a return on the investment as DII has been providing service at a loss for the past 7+ years. If you can't consider the existing loan; then, please consider a rate of return to pay at least for the cost of the loan. It will be proper to have a rate of return on the actual investment as well.
7. How are we handling the ADEQ fees of around \$10-\$12k to modify the permit and reduce the testing frequency; in order to have a reduction in costs for the customers? If we were to comply with the daily testing, the HOA will be paying around \$25-30k per month on sewer fees! As of now the actual cost is around \$7,000, however; there is still plenty to do to secure this modification. We need to recover this expense as it is for the sole benefit of the customers.
8. Please add at least 20% for payroll taxes and worker's compensation insurance to cover the future employee.

If you need additional information, please contact me directly at 626-664-0602.

Sincerely,

DII-Emerald Springs, LLC
Henry Melendez, President